98TH CONGRESS
2d Session

SENATE

EXEC. REPORT
98-39

NOMINATION OF
MARTHA ROMAYNE SEGER
TO BE A MEMBER OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

REPORT
OF THE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
together with
MINORITY VIEWS

JULY 17, 1984.—Ordered to be printed

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CONTENTS

	Page
Committee action	1
Committee comments	1
Recess appointment	5
Minority views of Senators Proxmire, Cranston, Riegle, Sarbanes, Dodd, Dixon, Sasser and Lautenberg	7
Additional minority views of Senator Riegle	14

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JULY 17, 1984.—Ordered to be printed

Mr. GARN, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

together with

MINORITY VIEWS

The Committee on Banking, Housing, and Urban Affairs, to which was referred the nomination of Martha R. Seger to be a member of the Board of Governors of the Federal Reserve System, having considered the same, reports favorably thereon and recommends that the nomination be confirmed.

COMMITTEE ACTION

The nomination of Martha R. Seger to be a member of the Board of Governors of the Federal Reserve System was submitted to the Senate by President Reagan on June 4, 1984, and was referred to the Committee on the same day. Dr. Seger testified before the Committee on June 19, 20, 21, and 22, 1984.

At its meeting on June 28, 1984, the Committee voted 10 to 8 to report the Seger nomination favorably to the Senate. Senators who voted in favor were: Garn, Tower, Heinz, Armstrong, D'Amato, Gorton, Mattingly, Hecht, Trible, and Humphrey. Those Senators voting in the negative were: Proxmire, Cranston, Riegle, Sarbanes, Dodd, Dixon, Sasser, and Lautenberg.

COMMITTEE COMMENTS

On June 4, 1984, President Reagan nominated Dr. Martha R. Seger to be a member of the Board of Governors of the Federal Reserve System. Dr. Seger is well qualified to be a member of the Board. She has extensive experience as a State bank regulator, or as a member of

the staff of the Federal Reserve, as a commercial bank economist and executive, and as a professor, lecturer, and consultant dealing with issues of economics and banking.

Dr. Seger has a long and impressive career and has excellent credentials and recommendations as an economist and financial regulator. She earned an M.B.A. from the University of Michigan in 1964. She obtained her Ph.D. in finance and business economics from the University of Michigan, and taught economics while engaged in that scholarly pursuit. She began her career on the economic research staff of General Motors Corp. She served on the staff of the Federal Reserve Bank of Chicago, and on the staff of the Federal Reserve Board in Washington as a research economist researching financial institutions and capital markets. She served for 10 years as a commercial bank economist with two of the larger banks in Michigan, serving as chief economist, vice president, senior vice president, and divisional vice president in charge of economics and investments, and as a director of one of those banks and of its holding company. At the time of her service with Bank of the Commonwealth in Detroit, she was the highest ranking woman bank executive in the State of Michigan, and one of the highest ranking women bank executives in the Nation. At that bank, she served not only as an economic researcher, but as an active bank executive and manager, participating on the bank investment committee and supervising loan officers and trust investment officers.

Beginning in 1976, she pursued an active professional schedule of varied activities as an academic professor, lecturer, consultant and researcher. She performed these services at schools of high standing, such as the University of Michigan School of Business, and Central Michigan University School of Business. She lectured to banking schools held by the New Mexico Bankers Association and Wisconsin Bankers Association, and performed independent research on important and noteworthy social and economic topics such as the issue of redlining, which is the practice of systematically denying mortgage credit to home buyers in selected neighborhoods, and other issues. She is co-author with two other women of the book, "Consumer Finance Companies in Michigan."

She was named as one of the top 100 corporate women by Business Week magazine in 1976. She is or has formerly been a member of the Economic Club of Detroit, the Women's Economic Club, the National Association of Business Economists, the American Finance Association, the American Economic Association, and the Detroit Area Economic Forum. Until her nomination, she has been a member of the Economic Advisory Board of the U.S. Department of Commerce, where she gained sensitivity and insight into the economic problems our Nation must confront in order to maintain economic competitiveness in international industrial, commercial, and financial markets.

Dr. Seger received a teaching appointment as an economics professor at Oakland University in Rochester, MI, in the fall of 1981, which she accepted as part of her decision to begin a flexible mixed schedule of teaching, lecturing, consulting, and research. Just after that academic year began, she accepted an appointment as the commissioner of financial institutions for the State of Michigan from Governor

William Milliken. She is very highly regarded by the financial, professional and business communities of Michigan as a result of her outstanding service in that capacity, as evidenced by the large number of letters endorsing and recommending her nomination as a Federal Reserve Board member which were sent to President Reagan and to the Senate Banking Committee.

She has been endorsed for the position by numerous financial executives, economic consultants, and citizens from the State of Michigan and elsewhere, representing banks, savings and loans, credit unions, real estate agents, insurance agents, industrial manufacturing companies, and construction companies, by the chairmen of Ford Motor Co. and General Motors, by the Michigan Bankers Association, the Michigan Credit Union League, the Michigan Retailers Association, the Capital Area Chapter of the National Association of Women Business Owners, and the Construction Business Association of Michigan. She has also been recommended for the position by Prof. Paul McCracken, Edmund Ezra Day University Professor of Business Administration at the University of Michigan Graduate School of Business, as a highly qualified economic scholar and teacher. She has been endorsed by the chief assistant attorney general of the State of Michigan, an officer of the Democratic administration of that State who worked closely with her in her duties as financial commissioner, for her "professionalim" and for her "high degree of knowledge about our economic and banking system." (See the hearing record of the Seger nomination for copies of the letters.)

For two years in 1981 and 1982, she served as the chief financial regulator for the State of Michigan, the seventh largest State in the Union. She was responsible for oversight of commercial banks, savings banks, consumer-oriented banks, savings and loans, credit unions, thrift and loan companies, and small loan companies with assets totaling over $30 billion. Those years were times of some economic stress for financial institutions of nearly any type, because of the interest rates then prevailing, which were of course to some degree related to decisions made by the Federal Reserve Board. Dr. Seger has been on the frontlines, in the real world, of the business and economic fluctuations that have occurred in our Nation recently, and has gained an insight into the effect Federal Reserve Board policy has on the business and financial institutions of our Nation.

Dr. Seger's experience as a State bank regulator is a particularly appropriate qualification for service as a member of the Federal Reserve Board. In her service there, she became intimately aware of the complex nature of financial regulation and the difficulties that confront financial institutions in stressful economic times. She performed the day-to-day functions of regulating and supervising financial institutions. She administered the resolution and liquidation of financial institutions that had failed, and worked closely with institutions suffering problems of illiquidity, bad management, and fraud. All of which provided her with valuable experience with the difficulties and sensitivities attached to bank failures and their effect on the general economy of a town, city, or general area, which qualifies her for the sensitive questions that Board members must resolve when confronted with bank failures and problem banks.

The Board serves several functions, but the primary functions are setting and executing monetary policy and regulating banks and bank holding companies. The Board has statutory authority to examine and regulate State-chartered banks which are members of the Federal Reserve. These banks number 1,053. The Board establishes and executes regulatory policy over these banks, which are crucial cogs in our monetary and economic system. It is essential that there be some practical and concrete experience among the Board members at regulating State-chartered member banks. Dr. Seger brings exactly that experience to the Board.

The same rationale is true for bank holding companies. The Board regulates bank holding company transactions, affiliations, and activities. The Committee has recently been making a great effort to resolve the issue of what activities bank holding companies should be allowed to undertake, and consequently is well aware of the crucial need for wise and experienced regulation of such entities. Dr. Seger's experience in dealing with large banks and bank holding companies, both as a State regulator and as a director of a large bank and its holding company, serves to solidly qualify her for the duties as a member of the Board regulating bank holding companies and State-chartered, member banks.

Senators from the minority argued in the hearings and markup on Dr. Seger's nomination that she is not qualified as a member of the Federal Reserve Board because she is not sufficiently distinguished as an academic, as though only theoretical and isolated scholars with distant, limited, and selective contact with the real problems of farmers, bankers, small-business people, professionals, working people, and the elderly are qualified to sit on the Federal Reserve Board. As the Senate Banking Committee minority pointed out in the report on the nomination of Dr. Martin Feldstein to be Chairman of the Council of Economic Advisers (Senate Executive Report No. 97–65), technical qualifications are not enough for important economic policy-making positions, such as a member of the Federal Reserve Board. Certainly, a very important qualification for a position on the Board is basic technical, economic understanding, but more important is the economic wisdom of the nominee, which tends to come more from experience with the practical side of the economy, with the people and businesses in the many different sectors and geographical areas which comprise our Nation's economy. Dr. Seger has that experience.

Throughout her career as a business economist and lecturer, Dr. Seger has met and consulted with many diverse groups of our society. She has met and addressed such groups as the Women's Economic Club of Detroit, Women in Construction, the Urban Bankers of Detroit, the Michigan Chapter of the National Association of Women Business Owners, and numerous other groups and clubs of women and minority business people and bankers, becoming acquainted with their concerns and problems and discussing solutions with them. The groups sought her advice as a pioneering woman bank executive and economist. She frequently offered advice and encouragement to owners of small businesses, both women and men, on small business financing difficulties, as to availability of financing, the different types of lending

institutions and their practices and typical terms, about Small Business Administration lending programs, requirements for qualification, financing availability, and about other general issues of small business financing.

Much was made also in the confirmation hearings of the point that Dr. Seger does not have a large body of published material which would allow Senators to gather insight into her views and positions on the economic issues that confront our Nation's economy. The Committee stresses that Dr. Seger was questioned by the Committee Senators in 14 hours of hearings spanning 4 days of intensive and thorough questioning, during which Senators were afforded ample time to explore and discuss the issues of concern with Dr. Seger. The Committee draws attention also to the record of other recent appointments to the Board and the fact that an absence of a long list of published works has by no means dissuaded the Senate from confirming other competent nominees to the Federal Reserve Board.

Finally, Dr. Seger's qualifications are in compliance with the statute regarding nominees to the Federal Reserve Board. The Federal Reserve Act requires that:

> In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country. (Section 10, 12 U.S.C. 241).

Her nomination is clearly in compliance with the statutory requirement that not more than one member of the Board shall be selected from any one Federal Reserve district. The Committee intends that the requirement be fulfilled in spirit as well as the letter, and Dr. Seger fulfills both. She has substantial and genuine ties to the Michigan area which certainly satisfy the requirement of the statute that she be from the Federal Reserve district she represents.

Dr. Seger's broad experience in dealing with so many different sectors of business and society, and in working with so many different types of people qualifies her extremely well to serve as a member of the Board, according to the standard of the Act, which represents the will of the Congress. She has worked and dealt with labor and executives of industry, and of the commercial sector. She has particular expertise and experience with the financial sector. She will bring broad-gauged experience, background, and wisdom gained from an eclectic and open style of communicating with people, as well as intellectual and academic skills in the academic discipline of business economics. The Committee finds that Dr. Seger is well suited by training, experience and ability to serve as a member of the Federal Reserve Board and urges the Senate that she be confirmed.

RECESS APPOINTMENT

The Committee wishes to note that President Reagan issued a recess appointment to the Federal Reserve Board to Dr. Seger on July 2, 1984. The minority includes additional views in this report dissenting from the President's action and challenging the propriety of the ap-

pointment. The settled law on this issue is clear. Article II, Section 2 of the Constitution states:

> The President shall have power to fill up all vacancies that may happen during the recess of the Senate, by granting Commissions which shall expire at the end of their next session.

Presidents of the United States have been using the authority granted in that clause to make appointments to the various executive departments and agencies of the executive branch for as long as the Constitution has been in effect.

In the Pay Act of 1940, Congress stipulated that it should be unlawful for payment for services to be made from the U.S. Treasury to an individual appointed during a recess of the Senate to fill a vacancy in an existing office. One set of circumstances where an exception is granted is where the vacancy existed while the Senate was in session, and that nomination was pending before the Senate at the end of that session. (See 5 U.S.C. 5503).

There has been no misuse by the President in this instance whatsoever of his constitutional prerogative to make recess appointments. The Committee met diligently for 4 consecutive days to accommodate the desire for time on the part of Committee Senators, in an effort to expedite the confirmation of an appointment to fill the vacant seat on the Board. The Committee held its vote on the nomination on Thursday, June 28, 1984. The Senate recess was scheduled to be for a term of 24 days until July 23, 1984. In view of these circumstances and of the legal history, the Committee concludes that the President was justified and well within his constitutional and legal discretion in issuing Dr. Martha R. Seger a recess appointment to the Federal Reserve Board.

The Committee intends to proceed to floor consideration of the Seger nomination as soon as possible, the recess appointment notwithstanding. Dr. Seger must still be considered by the Senate, in the customary constitutional procedure, for the full 14-year term as a member of the Federal Reserve Board of Governors.

MINORITY VIEWS OF SENATORS PROXMIRE, CRANSTON, RIEGLE, SARBANES, DODD, DIXON, SASSER, AND LAUTENBERG

I. The special importance of the Federal Reserve Board

Congress established the Federal Reserve System in 1913 as an independent agency of Government, accountable to Congress under the "money power" granted to Congress in Article I of the Constitution. At that time, Congress recognized, from the troubled history of central banking in the United States, the unique importance and the difficulties of the step it was taking. It was the intent of Congress to design an institution that would meet and consistently uphold the most rigorous standards of professional integrity and competence, and commitment to the public interest.

Consistent with this objective, Congress recognized the special necessity of selecting persons of the highest caliber to serve on the Federal Reserve Board. The Federal Reserve Act accordingly provided for Presidential appointment and Senate confirmation of Board members. It established a long term—14 years—to assure independence of those members from the short-term political interests of the executive branch and from the pecuniary interests of the Federal Reserve System's member banks.

The central role of the Federal Reserve Board has never been more critical than it is today. U.S. and world financial markets are in turmoil. U.S. deficits are taking our Nation into uncharted financial waters. Debt crises in Latin America and elsewhere demand a high order of skill, initiative and dedication if they are to be dealt with effectively. Rapid financial innovation places new and increasingly complex demands on the Federal Reserve's regulatory acumen. Consumers, faced on all sides by new financial institutions, new financial instruments, new investment opportunities and new risks, must be able to look to the Federal Reserve and other regulatory agencies for assurance that the integrity of financial services at the retail level will not be weakened.

It is in the face of these extraordinary circumstances that the Senate Banking Committee has the special responsibility to evaluate the nomination of Dr. Martha Seger to one of the seven positions on the Federal Reserve Board.

II. Qualifications required for the Federal Reserve Board

Membership on the Federal Reserve Board remains one of the most complex and important assignments in our Government. It requires an exacting analytical mind. It requires independence of judgment. It requires integrity. And it requires a strong sense of public service.

The present members of the Federal Reserve Board meet these qualifications. Those with academic backgrounds have made distinguished

published contributions in their fields. Those who rose through business, banking, government or the Federal Reserve itself had established reputations for excellence before their nominations to the Board. While several members of the Board have had partisan affiliations, none were appointed for partisan reasons. All are known for independence of judgment and personal devotion to the highest standards of objectivity.

In addition to these personal characteristics, which should be mandatory for any nominee to so important a post, the Senate has in recent years sought to require a degree of balance in geographic origin and professional background on the Federal Reserve Board.

The Senate has repeatedly urged the President to respect the requirement of the Federal Reserve Act that there be "due regard for the fair representation of the financial, agricultural, industrial, and commercial interests, and geographic divisions of the country." On May 15, 1980, the Senate passed a resolution which reads as follows: "Resolved, continued insensitivity to the requirements of the Federal Reserve Act in selecting nominees to the Federal Reserve Board shall not be overlooked by the Senate Committee on Banking, Housing, and Urban Affairs, or by the United States Senate."

It is the stated position of the Senate that the professional background of members of the Federal Reserve Board should be broadened to include members with direct personal experience with, and sympathy for, the problems of those economic activities, particularly agriculture and small business, which are most dependent on credit finance. In March 1984, the Senate specifically requested that the President name, to the next vacancy on the Federal Reserve Board, a person of demonstrable experience in small business or agriculture. The Senate approved a resolution to this effect by a vote of 50 to 37.

Several members of this Committee, including Senators Armstrong, Mattingly, Dixon, Dodd, Riegle, Sarbanes, and Sasser, went on record in support of this measure.

And Chairman Garn himself has noted that he would oppose and stop nominations that did not adhere to the notion that there be geographical and professional balance on the Federal Reserve Board.

III. Qualifications of the present nominee

At the time of her nomination to the Federal Reserve Board, Dr. Martha Romayne Seger was largely unknown to this Committee, to the Senate, to the economics profession, to the financial community outside the State of Michigan, and to the public at large. This was true with respect to her views, her qualifications and her experience.

It is especially pertinent in Dr. Seger's case that there exists no written record of her views on economic and monetary matters. The nominee was unable to provide the Committee with a single piece of writing, whether scholarly or popular in nature, on any financial, economic or monetary topic.

We would underscore this point. It is not that Dr. Seger's written work is not regarded as seminal, or that it has been criticized by her colleagues. It is that the writings that might reasonably be expected of a professor of economics who has been nominated to the Federal Reserve Board do not exist.

Without such a record, the Committee and the Senate are placed at a severe disadvantage. It is difficult to make a judgment on the professional competence of the nominee. It is difficult to determine whether her familiarity with the economic issues of our day is profound or superficial. We cannot tell whether she has an independent and a creative mind. We have no sense of her ability to contribute to the policy-making process.

In principle, it is possible for a professional economist to achieve a wide reputation without a large volume of published work, but there are generally recognized channels for doing so. An astute forecaster may build a reputation in a business setting—or a wise analyst may command respect in the financial markets, or a gifted teacher may occasionally achieve prominence in a university without benefit of published works. Dr. Seger has not demonstrated distinction in any of these dimensions, and in her chosen field, the academic, she has never stayed at any university long enough to face a tenure decision, a fact which strongly suggests a modest if not mediocre academic career.

Other members of the Federal Reserve Board have been confirmed despite the absence of significant written work, but in all cases nominees have demonstrated competence in business or other related fields. Dr. Seger would not, however, bring a broader professional background to the Federal Reserve Board. She is not herself a businesswoman or labor leader. She has not held a leadership or decisionmaking role in the private sector financial community. She has no personal experience of small business or, apart from the fact that her mother was born on a farm, of agriculture. Her industrial background is slight and she has not demonstrated a good grasp of the acute problems of the midwestern industrial region, which is all the more extraordinary in view of the fact that she has spent most of her life in Michigan.

Furthermore, there is no evidence that Dr. Seger will prove to be the strong advocate for consumer protection that her responsibilities as Dr. Nancy Teeters' replacement on the Federal Reserve Board would require her to be. During her tenure on the Board, Dr. Teeters assumed responsibility for the administration of the Truth-in-Lending Act, equal credit opportunity, home mortgage disclosure and other consumer affairs, and it is likely that these responsibilities would pass to Dr. Seger if she were confirmed. To the extent that Dr. Seger has a record on these questions, it must be inferred from her 2-year tenure as banking commissioner for the State of Michigan, and her service in that position suggests a strong predisposition to side with the preferences of the banks over the concerns of consumers of financial services.

In short, given the nature of Dr. Seger's professional career, it is reasonable to expect a published record of her views and research. Furthermore, such a record is essential to clarify her views and demonstrate her competence in areas where she has very limited direct experience or where her experience, for example with respect to consumer issues, raises serious questions about her actions if she were to be confirmed to the Federal Reserve Board. The written record simply does not exist. Prior to the hearings, therefore, it was extremely difficult to ascertain the professional competence of the nominee—to determine whether her famliarity with current economic

issues is profound, or superficial, whether she would be able to contribute to the policymaking process. It was not even possible to say with any confidence what her views are.

IV. Flawed selection process for this nominee

The question arises: Why would an obscure academic, of no distinction in her field, with no published research and no record outside of the economics profession that would suggest her suitability for the Federal Reserve Board, be considered for this appointment?

We believe that this nominee was selected for political rather than professional reasons.

The nominee is an active and outspoken member of the Michigan Republican Party with very strong partisan views. She was an ardent supporter of gubernatorial candidate Richard Headlee in 1982. In 1983, she was named chairman of a Michigan Republican women's group which seeks to promote and publicize the administration's positions on economic equity issues. In 1984, she became a State chairman of the Fund for a Conservative America, founded by New York Republican gubernatorial candidate Lewis Lehrman.

The nominee has continued to demonstrate her partisanship by engaging in a running political battle this spring with other Republican leaders in Michigan over the conduct of the 1982 gubernatorial campaign. In so doing, at a time when she knew that she was under active consideration for the Federal Reserve Board, she has raised questions about her judgment.

In May 1984, Dr. Seger submitted a letter to the editor of the Record Eagle and other Michigan newspapers involving the 1982 Blanchard-Headlee race for Governor of Michigan. The letter was published in early June. Dr. Seger's article specifically mentions the activities, during that campaign, of Helen Milliken, the wife of the former Republican Governor of Michigan, and Elly Peterson, the former GOP State chairman and national vice-chairman. Dr. Seger's outspokenness on political questions is in sharp and puzzling contrast to her ambiguous and hesitant statements in response to questions about economics and mandatory matters.

After reading the Seger letter, Mrs. Peterson was moved to respond, "I am stunned that this woman, who has been appointed to a sensitive job, one requiring calmness of rhetoric, would allow herself to be manipulated into raising an 18-month-old issue with a letter that erred in every paragraph."

Mrs. Milliken and Mrs. Peterson jointly sent a letter to the Committee during these confirmation hearings asking "to be on record concerning the inaccuracies (Dr. Seger's) letter contains." They submitted a list of the errors contained in Dr. Seger's article and, at one point, state that Dr. Seger "outrageously distorts" a position of the Michigan Women's Assembly, made up of 28 statewide Michigan organizations, including the League of Women Voters, the YWCA, the American Association of University Women, and Business and Professional Women. Mrs. Milliken and Mrs. Peterson assert that "The plan which Ms. Seger so outrageously distorts reflects one recommended by the American Law Institute and American Bar Association. Twenty-five States have already enacted it into law." Other

alleged inaccuracies in Dr. Seger's article are also detailed. In responding to questions about the Peterson-Milliken views. Dr. Seger was unable to substantiate her charges, saying only that she would apologize if she could be proved to have been in error.

Equally flagrant, when Dr. Seger was introduced to the press by the President at the White House as his nominee for the Federal Reserve Board, she made a categorical declaration of loyalty to him and to his political program, saying: "I support everything he is doing."

The selection procedure for this nomination reflects its partisan political character. Dr. Seger was first considered for but not nominated to the Federal Home Loan Bank Board. At a later date, her name was forwarded to the White House personnel office, for appointment to the Federal Reserve, and she was interviewed by several junior staff. She was one of only three names forwarded to Treasury and Federal Reserve Board members and to the Chairman of the Banking Committee. At least one of the prospective nominees was disqualified since she was not from an appropriate geographic region of the country.

By her own account, the nominee had a cursory meeting with Treasury officials, including Undersecretary McNamar, and met for perhaps less than half an hour with Treasury Secretary Regan. She discussed little in the way of substance with the Secretary.

The nominee also met with the Vice Chairman of the Federal Reserve Board, Preston Martin. At no time did she meet Federal Reserve Board Chairman Volcker until after her nomination was made official by the White House on May 30.

V. Performance of the nominee in hearings

For the reasons just outlined, the hearings in the Senate Banking Committee on Dr. Seger's nomination were of unusual importance. The Committee held 14 hours of hearings over 4 days to explore the nominee's views, qualifications, experience, and competence to serve on the Federal Reserve Board. This extensive and searching inquiry was necessary, first, because Dr. Seger has no written record of established reputation in her field and second, because in the course of the hearings, the nominee revealed an extraordinary reluctance to give Committee members a clear statement of her positions.

The nominee did not present an opening statement. She declined to have her views on economic issues characterized in any particular way: for example, as a monetarist, supplyside, or Keynesian. She pled ignorance on a wide range of important technical issues on which she might reasonably have been expected to have a view. She declined to specify her position on important current policy debates, such as that between CEA Chairman Feldstein and Treasury Secretary Regan over the relationship of deficits and interest rates. She appeared to hold no firm views on a program for deficit reduction. She declined to identify deficit reduction as the most important economic challenge we face, or to specify whether, in her view, inflation would be better fought by deficit reduction or monetary tightness. She had no view on the size of the "structural deficit" or the lowest feasible non-inflationary rate of unemployment, or what rate of price inflation ought to be con-

sidered serious. She could think of no alternatives to the tight monetary policies which helped bring on the recession of 1981. In short, in instance after instance, the nominee confined her responses to the banal, the tautological, and the evasive.

It is impossible to convey, without lengthy quotation, the arduous character of Dr. Seger's confirmation hearing. The very length of the interrogation bears witness to the difficulty of obtaining a clear, straightforward statement of views from the witness. Perusal of the transcript confirms this impression, and we urge our colleagues to review the transcripts for themselves.

Dr. Seger's performance at her hearing led eight Senators on the Banking Committee to vote against her confirmation, which was approved by a vote of only 10 to 8. Senator Cranston summed up the view of the eight in the following way:

> Dr. Seger, during extensive hearings, has made statements supporting almost every side of the issues she has been questioned on. Indeed, she appears to have no grounded philosophy of her own. In these troubling times, we need persons on the Fed who are seasoned, independent thinkers who can bring some new ideas to the table. Dr. Seger does not fit that description.

VI. The recess appointment of the nominee

Finally, we are deeply concerned by the decision of President Reagan to make a recess appointment of Martha Seger to the Federal Reserve Board.

The decision to make an appointment of a nominee whose confirmation was a matter of considerable controversy constitutes a serious infringement on the constitutional prerogatives of the Senate.

In providing the President with the authority to make recess appointments, we do not believe the Founding Fathers intended that it be used by a President as a means to circumvent a potentially adverse vote of the Senate on a controversial Presidential nomination. Rather, the authority seems designed to allow the President to fill important vacancies during the long periods of time when the Congress was expected to be out of session.

It left unchallenged, this recess appointment could allow Dr. Seger to serve on the Board through the end of 1985 and to vote on monetary policy even if her nomination is rejected by the Senate. At the very least, it will allow her to cast an important vote at the next meeting of the Federal Open Market Committee without having been confirmed by the Senate.

Article II, Section 2 of the Constitution of the United States clearly states that "The President shall have power to fill up all vacancies that may happen during the recess of the Senate, by granting commissions which shall expire at the end of the next session."

The vacancy which Dr. Seger has been appointed to fill "happened" February 1, 1984, when the term of Federal Reserve Board Governor Nancy Hays Teeters expired. This vacancy did not happen during the recess of the Senate.

In addition, there is no evidence of an emergency on the Federal Reserve Board that would justify the extraordinary actions of the

President in cutting constitutional corners and making this appointment in this manner. Indeed, in the entire history of the Federal Reserve Board, only three members have been granted recess appointments. There are six other members of the Federal Reserve Board who are perfectly capable of determining monetary policy in the weeks ahead pending a vote in the Senate on the Seger nomination.

Past interpretations of the recess power by Attorneys General of the United States have benefited the executive branch both by a flexible interpretation of the word "recess" to include many intrasession adjournments and then by a literal interpretation of "next session" to mean the next full session of a Congress. In the process of stretching executive power, there has been an unwarranted diminution of the Senate's constitutional role in the appointment process and a movement away from the plain meaning of the Constitution. We believe that a fresh evaluation of the recess appointment power is necessary to return it to its original purpose and to avoid misuse of it in the future.

When the Senate reconvenes, we plan to examine what remedies the Congress may have in restricting the authority of the President to make recess appointments during temporary adjournments of the Senate and prior to official termination of a session of the Senate.

VII. Conclusion

The nominee before the Senate to the position of Governor of the Federal Reserve System, Martha Romayne Seger, does not meet the high standards of professional accomplishment, independent judgment, clear-mindedness, demonstrated ability and non-partisanship essential to function as a Governor of the Federal Reserve System.

The Federal Reserve Board is one of the most important institutions we have to shape economic policy. Its powers are wide-ranging and its effect on the economy is profound. The American people have a right to expect the highest qualifications of a Governor of the Federal Reserve Board.

The President could have done better by sending forward a more qualified nominee. The Banking Committee should have done better by not approving this nomination. The Senate must do better; the nomination of Dr. Martha Seger to be a Governor of the Federal Reserve Board must be rejected.

WILLIAM PROXMIRE.
ALAN CRANSTON.
DONALD W. RIEGLE, Jr.
PAUL S. SARBANES.
CHRISTOPHER J. DODD.
ALAN J. DIXON.
JIM SASSER.
FRANK R. LAUTENBERG.

ADDITIONAL MINORITY VIEWS OF SENATOR RIEGLE

Membership on the Federal Reserve Board constitutes one of the most complex and critical assignments in our government at this time.

With U.S. and world financial markets experiencing unprecedented turbulence and dangers, Federal Reserve Board policy now and in the future is of the highest strategic importance to our nation. Selections to the Federal Reserve Board must now be made with the same care that is used to select those who will serve on the Joint Chiefs of Staff at the Pentagon.

We are in a period of maximum risk within the United States and international financial structure as evidenced by the recent near collapse of the Continental Illinois Bank and other dangerous conditions, including foreign loans in or near default, a massive and growing trade deficit, massive fiscal deficits, and rising interest rates.

Federal Reserve policy decisions in the immediate future will have a critical bearing on the financial future of our nation and the world.

It is in the face of these extraordinary circumstances that the Senate Banking Committee has the special responsibility to evaluate the nomination of Ms. Seger to one of the seven positions on the Federal Reserve Board.

One major consideration that arises immediately is the appropriateness of confirming a Federal Reserve Board nominee to a 14-year term some 4 months prior to a Presidential election.

The recent practice as seen in 1980, and other Presidential election years, is that short-term appointments have been handled routinely prior to a national election, while long-term appointments have often been set aside until the American people have spoken in a national election. In 1980, of 207 appointments considered after June 1, nearly half (95) were set aside and not acted upon until after the national election.

This 14-year term, in essence a lifetime appointment for Ms. Seger, is one that would continue through the next 3 Presidential 4-year terms of office and into a fourth. If Ms. Seger is confirmed, she would serve until 1998—and she has indicated that is her intention.

I believe the extraordinary importance of this position, the 14-year term, and the upcoming national election, indicate that this nomination should not go forward at this time and instead be taken up again early in 1985.

While it is my view that the Senate should withhold final action on this nominee at this time for the reasons just stated, there are additional factors attaching to this particular nominee that are of concern to me.

As the nominee is from my home State of Michigan, I have felt a special responsibility to examine the nomination very carefully, as the nominee has not been previously known to me or widely known within my State.

Questions have arisen with respect to the depth and breadth of the nominee's professional background. These questions take on greater meaning in light of the fact that the nominee was unable to provide the Committee with a single example of her written views on any financial, economic or monetary topic. For a person seeking one of the highest and most complex financial policy positions in our Nation to have produced no written professional work over the years that would demonstrate her competence, her views and her vital and searching interest in these subjects, is virtually without precedence in my 18 years in Congress.

As a result, the Committee found it necessary to conduct 4 days of hearings to attempt to gain some understanding of the nominee's views on important financial and monetary policy issues and her thought process.

A careful reading of that Committee record does not reveal the depth of understanding on current economic issues by the nominee that one would have expected.

Another concern is the fact that the Senate, in March of this year, passed a resolution stating that the next nominee to the Federal Reserve Board should be a person with a background in small business or agriculture, and this nominee does not meet that requirement. Small business people, farmers, consumers, and others are at the mercy of high interest rates and Federal Reserve monetary policy management. This nomination clearly ignores that Congressional mandate.

Other concerns have arisen over the maintenance of the independence of the Federal Reserve and the need to prevent any attempts at politicizing its views or actions. An unusual evaluation procedure was used by the Administration in evaluating this nominee, where Federal Reserve Chairman Paul Volcker was pointedly omitted from the interviewing process of the nominee, and that has troubling implications that have not been satisfactorily answered.

Under the law, the Federal Reserve is responsible to the Congress, and therefore we here have a special responsibility to monitor and safeguard the continuing independence of the Fed.

Finally, the nominee has been sent forward on the basis of providing certain geographical representation on the Fed Board as required by law.

In the instance of Ms. Seger, that takes on special regional importance as it relates to industrial base problems, the future of the U.S. auto industry, the continuing trade invasion of foreign goods and the tremendous economic pressures facing middle class families and workers in our region of the nation.

In probing the nominee's knowledge and concern in this critical area, I was generally disappointed in her grasp of these problems and her thoughts as to what might be done to alleviate them.

If she were confirmed as a regional representative, and was unable to bring this special regional insight to the Board's deliberations, it would be greatly damaging to the country and particularly damaging to our region.

For these reasons among others, I believe this nomination should not go forward at this time.

DON RIEGLE.

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